

## **Experience with market competition in fee-for-service Medicare**

**ISSUE:** Members of Congress have expressed interest in using market competition, such as competitive bidding, to set prices for services and goods in fee-for-service Medicare. Experience from Medicare demonstrations may illuminate some of the policy choices that need to be made in designing a purchasing approach that relies on competitive forces.

**KEY POINTS:** Staff intend to focus on at least two Medicare demonstrations, the competitive bidding for durable medical equipment demonstration and the Medicare participating health bypass demonstration (often referred to as the Centers of Excellence model), to examine experience with different approaches to competitive bidding.

Among the key design issues that we plan to focus on are:

- defining the product
- defining the market
- creating a bidding process and incentives for competitive bids

**ACTION:** Staff would appreciate feedback from Commissioners on the issues to be addressed and other examples staff should explore. Staff will provide a draft paper at the April meeting for further discussion and possible inclusion in the June report.

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